

NOTE 13 – DEBT**Short-term Debt Instruments and Liquidity**

For the year ended December 31, 2007, King County has one short-term debt instrument outstanding. On November 1, 2007, the County issued \$43.98 million of limited tax general obligation (GO) bond anticipation notes with a maturity date of November 1, 2008. The proceeds of the notes are accounted for in the Building Construction and Improvement fund. The notes were issued to provide continued interim financing for various projects related to the County Courthouse, the integrated security and jail health project, the Kent Pullen Regional Communications and Emergency Coordination Center, the Pedestrian Tunnel between the Chinook Building and the Goat Hill parking garage, and the acquisition of workstations and furniture for the Chinook Building. Also, a portion of the proceeds were used to pay the cost of issuance of the 2007 notes. The County intends to finance the repayment of the 2007 notes by issuing general obligation bonds in 2008.

The County has \$100 million of commercial paper outstanding in the Water Quality Enterprise Fund. The commercial paper outstanding as of December 31, 2007, has maturities ranging from 30 to 154 days. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. Repayment of the debt will be made from operating revenues. The following schedule provides a summary of changes in short-term debt as of December 31, 2007:

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2007
(IN THOUSANDS)**

| | Balance 01/01/07 | Additions | Reductions | Balance 12/31/07 |
|--|---------------------|------------------|--------------------|---------------------|
| Governmental activities: | | | | |
| Limited tax GO bond anticipation notes | \$ 83,990 | \$ 43,975 | \$ (83,990) | \$ 43,975 |
| Unamortized premium bonds sold | 273 | 293 | (273) | 293 |
| Governmental activities short-term debt | <u>\$ 84,263</u> | <u>\$ 44,268</u> | <u>\$ (84,263)</u> | <u>\$ 44,268</u> |
| Business-type activities: | | | | |
| Commercial paper | \$ 50,000 | \$ 50,000 | - | \$ 100,000 |
| Business-type activities short-term debt | <u>\$ 50,000</u> | <u>\$ 50,000</u> | <u>\$ -</u> | <u>\$ 100,000</u> |

Long-term Debt

King County's long-term debt is reported under governmental activities and business-type activities. Governmental activities long-term debt consists of general obligation bonds, general obligation lease revenue bonds, general obligation capital leases, and special assessment bonds with governmental commitment. Payment of special assessment bonds are guaranteed by the Road Improvement Guaranty Fund if a road improvement district fails to pay.

Business-type activities long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; capital leases accounted for in the Public Transportation Fund; and State of Washington revolving loans and sewer revenue bonds accounted for in the Water Quality Enterprise Fund.

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 1 of 4)**

| | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Issue Amount</u> | <u>Outstanding at 12/31/07</u> |
|---|-----------------------|---------------------------|---------------------------|----------------------------------|------------------------------------|
| I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT | | | | | |
| IA. Limited Tax General Obligation Bonds (LTGO) | | | | | |
| Payable From Limited Tax GO Bond Redemption Fund | | | | | |
| 1993 Various Purpose Series B (Partial) | 12/01/93 | 01/01/24 | 5.35-6.70% | \$ 109,436 | \$ 17,750 |
| 1996 Various Purpose Series A (Partial) | 02/01/96 | 01/01/09 | 5.00-5.25% | 105,268 | 2,275 |
| 1997 Baseball Stadium Parking Facilities (Taxable) Series C | 04/01/97 | 12/01/08 | 7.06-7.79% | 25,000 | 1,275 |
| 1997 Baseball Stadium Series D | 05/07/97 | 12/01/09 | 4.60-5.75% | 150,000 | 37,080 |
| 1999 Various Purpose Series A (Partial) | 05/01/99 | 12/01/12 | 4.00-5.25% | 85,695 | 12,959 |
| 2001 Various Purpose (Partial) | 11/01/01 | 12/01/21 | 3.00-5.00% | 26,925 | 17,250 |
| 2002 Refunding 1997B Bonds (Baseball Stadium) | 06/04/02 | 12/01/14 | 4.00-5.50% | 124,575 | 61,650 |
| 2002 Various Purpose (Road CIP) Bonds | 10/01/02 | 12/01/16 | 2.00-5.00% | 38,340 | 26,865 |
| 2003 Limited Tax GO (Payoff BAN 2003B) Series A | 10/30/03 | 06/01/23 | 2.00-5.25% | 27,605 | 23,915 |
| 2003 Various Purpose Refunding Bonds Series B (Partial) | 10/30/03 | 06/01/23 | 2.00-5.25% | 27,890 | 18,555 |
| 2004 Refunding Bonds Series A | 09/21/04 | 01/01/16 | 2.00-5.00% | 57,045 | 53,085 |
| 2004 Limited Tax GO (Payoff BAN2003A) Series B | 10/01/04 | 01/01/25 | 2.50-5.00% | 82,435 | 77,810 |
| 2004 Baseball Stadium (Refg 1997C Partial) (Taxable) Series C | 12/21/04 | 12/01/11 | 2.92-4.49% | 13,195 | 8,310 |
| 2004 Baseball Stadium (Refg 1997D Partial) Series D | 12/21/04 | 12/01/11 | 3.00-5.00% | 32,075 | 27,710 |
| 2005 Refunding Bonds Series A | 06/29/05 | 01/01/19 | 5.00% | 22,510 | 22,510 |
| 2006 Refunding Bonds (Partial) | 12/14/06 | 01/01/19 | 4.00-5.00% | 38,330 | 37,675 |
| 2006 HUD Section 108 Bonds – Greenbridge Project | 08/01/06 | 08/01/24 | 4.96-5.70% | 6,783 | 6,647 |
| 2007 Kingdome Debt Series A Refunding 1997F | 09/05/07 | 12/01/15 | 4.00-5.00% | 48,665 | 48,100 |
| 2007 Kingdome Debt Series B Refunding 1997E (Taxable) | 09/05/07 | 12/01/10 | 4.98-5.11% | 5,900 | 4,550 |
| 2007 Various Purpose Series C | 11/01/07 | 01/01/28 | 4.00-4.50% | 10,695 | 10,695 |
| 2007 Various Purpose Series D | 11/01/07 | 01/01/28 | 4.00-5.00% | 34,630 | 34,630 |
| 2007 Various Purpose Series E (Partial) | 11/27/07 | 12/01/17 | 4.00-5.00% | 3,070 | 3,070 |
| Total Payable From Limited Tax GO Redemption Fund | | | | <u>1,076,067</u> | <u>554,366</u> |
| Payable From Internal Service Funds | | | | | |
| 1999 Various Purpose Series A | 05/01/99 | 12/01/09 | 4.00-5.25% | 525 | 120 |
| 2001 Various Purpose (Partial) | 11/01/01 | 12/01/11 | 3.00-5.00% | <u>1,050</u> | <u>470</u> |
| Total Payable From Internal Service Funds | | | | <u>1,575</u> | <u>590</u> |
| IB. Limited Tax GO Capital Leases | | | | | |
| Payable From Public Health | Various | Various | Various | 183 | 49 |
| Payable From General Fund – 1998 Certificates of Participation - Issaquah District Court | 09/29/98 | 12/01/19 | 3.80-5.05% | <u>5,900</u> | <u>4,275</u> |
| Total Limited Tax GO Capital Leases | | | | <u>6,083</u> | <u>4,324</u> |

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 2 of 4)**

| | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Issue Amount</u> | <u>Outstanding at 12/31/07</u> |
|---|-----------------------|---------------------------|---------------------------|----------------------------------|------------------------------------|
| I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT | | | | | |
| IC. Limited Tax GO Lease Revenue Bonds ^(a) | | | | | |
| Payable From Internal Service Funds | | | | | |
| 1997 King Street Center Project | 06/01/97 | 06/01/08 | 4.50-5.13% | \$ 78,275 | \$ 2,235 |
| 2002 Broadway Office Property – HMC Office Space | 11/13/02 | 12/01/31 | 4.00-5.38% | 62,540 | 60,075 |
| 2005 Goathill Property – Chinook Building | 02/03/05 | 12/01/33 | 4.00-5.25% | 101,035 | 101,035 |
| 2006A NJB Properties – HMC | 12/05/06 | 12/01/36 | 5.00% | 179,285 | 179,285 |
| 2006B NJB Properties – HMC (Taxable) | 12/05/06 | 12/01/36 | 5.51% | 10,435 | 10,435 |
| 2007 King Street Center Project Refunding 1997 | 03/08/07 | 06/01/25 | 4.00-5.00% | 62,400 | 61,470 |
| Total Limited Tax GO Lease Revenue Bonds | | | | <u>493,970</u> | <u>414,535</u> |
| Total Limited Tax General Obligation Debt | | | | <u>1,577,695</u> | <u>973,815</u> |
| ID. Unlimited Tax General Obligation Bonds (ULTGO) | | | | | |
| Payable From Unlimited Tax GO Redemption Fund | | | | | |
| 2000 Refunding Bonds (Partial) | 10/01/00 | 06/01/16 | 5.00-5.50% | 102,740 | 43,235 |
| 2001 Harborview Medical Center | 02/01/01 | 12/01/20 | 4.00-5.00% | 29,130 | 23,745 |
| 2003 Refunding 1993 Series C Bonds | 04/23/03 | 06/01/19 | 2.00-5.25% | 108,795 | 37,155 |
| 2004 Harborview Medical Center Series A | 05/04/04 | 12/01/23 | 2.00-5.00% | 110,000 | 100,920 |
| 2004 Harborview Medical Center Series B | 09/14/04 | 06/01/23 | 3.00-5.00% | 54,000 | 50,395 |
| Total Payable From Unlimited Tax GO Bond Redemption Fund | | | | <u>404,665</u> | <u>255,450</u> |
| Payable From Stadium GO Bond Redemption Fund | | | | | |
| 2000 Refunding Bonds (Partial) | 10/01/00 | 06/01/12 | 5.00-5.50% | 18,880 | 8,815 |
| Total Unlimited Tax General Obligation Bonds | | | | <u>423,545</u> | <u>264,265</u> |
| IE. Special Assessment General Long-Term Debt | | | | | |
| Special assessment bonds with governmental commitment – bonds payable from Road Improvement Districts S.A. Bond Redemption Fund – 1986 RID 2 Consolidated | 07/01/86 | 07/01/08 | 7.88-8.25% | 286 | 15 |
| TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT | | | | <u>2,001,526</u> | <u>1,238,095</u> |

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 3 of 4)**

| | Issue Date | Final Maturity | Interest Rates | Original Issue Amount | Outstanding at 12/31/07 |
|---|-----------------------|---------------------------|------------------------------|----------------------------------|------------------------------------|
| II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT | | | | | |
| IIA. Limited Tax General Obligation Bonds (LTGO) | | | | | |
| Payable From Enterprise Funds | | | | | |
| 1996 LTGO Refunding (Revenue Bonds) Series C | 12/15/96 | 01/01/08 | 5.00-6.25% | \$ 130,965 | \$ 2,730 |
| 1998 LTGO (Public Transportation Sales Tax) Refunding Series A | 05/15/98 | 12/01/19 | 4.50-5.00% | 85,715 | 53,400 |
| 1998 LTGO Refunding (WQ-LTGO & Revenues) Series B | 09/15/98 | 01/01/34 | 4.75-5.25% | 261,625 | 247,810 |
| 1999 LTGO Refunding Series A (Partial) | 05/01/99 | 12/01/12 | 4.00-5.25% | 8,720 | 6,161 |
| 2001 LTGO Various Purpose (Partial) | 11/01/01 | 12/01/21 | 3.00-5.00% | 8,580 | 6,820 |
| 2002 LTGO (Public Transportation Sales Tax) Refunding Bonds | 11/05/02 | 12/01/19 | 3.00-5.50% | 64,285 | 50,735 |
| 2004 LTGO (Public Transportation Sales Tax) Bonds | 06/08/04 | 06/01/34 | 2.50-5.50% | 49,695 | 47,265 |
| 2005 LTGO (WQ-LTGO) Bonds | 04/21/05 | 01/01/35 | 5.00% | 200,000 | 200,000 |
| 2006 Refunding Bonds (Partial) | 12/14/06 | 01/01/15 | 4.00-5.00% | 7,995 | 7,865 |
| 2007 Various Purpose Series E (Partial) | 11/27/07 | 12/01/27 | 4.00-5.00% | 40,635 | 40,635 |
| Total Limited Tax GO Bonds Payable From Enterprise Funds | | | | <u>858,215</u> | <u>663,421</u> |
| IIB. Revenue Bonds, Capital Leases and Loans | | | | | |
| Payable From Enterprise Funds | | | | | |
| 1999 Sewer Revenue Bonds Series 2 | 11/01/99 | 01/01/09 | 5.00-6.25% | 60,000 | 2,270 |
| 2001 Sewer Revenue Bonds Junior Lien Series A | 08/06/01 | 01/01/32 | Variable Rate ^(b) | 50,000 | 50,000 |
| 2001 Sewer Revenue Bonds Junior Lien Series B | 08/06/01 | 01/01/32 | Variable Rate ^(b) | 50,000 | 50,000 |
| 2001 Sewer Revenue and Refunding Bonds | 11/28/01 | 01/01/35 | 3.00-5.25% | 270,060 | 229,925 |
| 2002 Sewer Revenue Bonds Series A | 08/14/02 | 01/01/35 | 5.00-5.50% | 100,000 | 94,960 |
| 2002 Sewer Revenue Refunding Bonds Series B | 10/03/02 | 01/01/33 | 3.00-5.50% | 346,130 | 291,715 |
| 2003 Sewer Revenue Refunding Bonds | 04/24/03 | 01/01/35 | 2.00-5.25% | 96,470 | 93,005 |
| 2004 Sewer Revenue Bonds Series A | 03/18/04 | 01/01/35 | 4.50-5.00% | 185,000 | 185,000 |
| 2004 Sewer Revenue Refunding 1999-2 Bonds Series B | 03/18/04 | 01/01/35 | 2.00-5.00% | 61,760 | 59,840 |
| 2006 Sewer Revenue and Refunding 1999-1 Bonds Series A | 05/16/06 | 01/01/36 | 5.00% | 124,070 | 124,070 |
| 2006 Sewer Revenue Bonds Junior Lien Multi-Modal Series A | 10/04/06 | 01/01/36 | Variable Rate ^(c) | 50,000 | 50,000 |
| 2006 Sewer Revenue Bonds Junior Lien Multi-Modal Series B | 10/04/06 | 01/01/36 | Variable Rate ^(c) | 50,000 | 50,000 |
| 2006 Sewer Revenue and Refunding Bonds Series B-2 | 11/30/06 | 01/01/36 | 3.50-5.00% | 193,435 | 193,435 |
| 2007 Sewer Revenue Bonds | 06/26/07 | 01/01/47 | 5.00% | 250,000 | 250,000 |
| 2000-2007 State of Washington Revolving Loans | Various | Various | 0.50-1.50% | 141,335 | 118,524 |
| 2000 Public Transportation Park and Ride Capital Leases | 03/30/00 | 12/31/31 | 5.00% | 4,722 | 3,534 |
| Total Revenue Bonds, Capital Leases and Loans Payable From Enterprise Funds | | | | <u>2,032,982</u> | <u>1,846,278</u> |
| TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT | | | | <u>2,891,197</u> | <u>2,509,699</u> |
| TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES) | | | | <u>\$ 4,892,723</u> | <u>\$ 3,747,794</u> |

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
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(a) In prior years, limited tax general obligation lease revenue bonds were reported as capital leases pursuant to special financing agreements. In 2007, these bonds issued in accordance with the provisions of Revenue Ruling 63-20 of the US Treasury were reclassified as general obligation lease revenue bonds of a blended component unit in the internal service funds. See Note 15, "Restrictions, Reserves, Designations, and Changes in Equity" – Restatements of Beginning Balances.

(b) The variable rate bonds initially issued in the Weekly Mode will bear interest at Weekly Rates. The Weekly Rate for each Interest Period is determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

(c) The variable rate bonds initially issued in the Weekly Mode will bear interest at Weekly Rates. The Weekly Rate for each Interest Period is determined by the Remarketing Agents. The County may elect to convert one or both series of the Bonds to Daily Mode, Flexible Mode, Term Rate Mode, Fixed Rate Mode or Auction Rate Securities ("ARS") Mode.

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)**

GOVERNMENTAL ACTIVITIES

| Year | General Obligation Bonds | | General Obligation Lease Revenue Bonds | | General Obligation Capital Leases and Special Assessment Bonds | | Total Governmental Activities | |
|--------------|--------------------------|-------------------|---|-------------------|--|-----------------|-------------------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2008 | \$ 78,793 | \$ 39,001 | \$ 5,895 | \$ 20,258 | \$ 339 | \$ 210 | \$ 85,027 | \$ 59,469 |
| 2009 | 82,771 | 35,786 | 6,185 | 19,975 | 285 | 197 | 89,241 | 55,958 |
| 2010 | 71,044 | 31,944 | 6,465 | 19,689 | 300 | 184 | 77,809 | 51,817 |
| 2011 | 58,621 | 28,521 | 10,465 | 19,390 | 310 | 170 | 69,396 | 48,081 |
| 2012 | 59,913 | 25,580 | 10,965 | 18,892 | 325 | 156 | 71,203 | 44,628 |
| 2013-2017 | 259,074 | 79,899 | 63,505 | 85,775 | 1,885 | 522 | 324,464 | 166,196 |
| 2018-2022 | 146,931 | 33,942 | 80,425 | 68,858 | 895 | 69 | 228,251 | 102,869 |
| 2023-2027 | 58,754 | 4,986 | 89,200 | 47,965 | - | - | 147,954 | 52,951 |
| 2028-2032 | 3,320 | 78 | 92,835 | 26,205 | - | - | 96,155 | 26,283 |
| 2033-2037 | - | - | 48,595 | 6,126 | - | - | 48,595 | 6,126 |
| TOTAL | \$ 819,221 | \$ 279,737 | \$ 414,535 | \$ 333,133 | \$ 4,339 | \$ 1,508 | \$ 1,238,095 | \$ 614,378 |

BUSINESS-TYPE ACTIVITIES

| Year | General Obligation Bonds | | Revenue Bonds, Capital Leases and Loans | | Total Business-Type Activities | | Total Long-Term Debt (Excluding General Obligation Long-Term Liabilities) | |
|--------------|--------------------------|-------------------|--|---------------------|--------------------------------|---------------------|---|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2008 | \$ 18,035 | \$ 32,940 | \$ 32,976 | \$ 70,621 | \$ 51,011 | \$ 103,561 | \$ 136,038 | \$ 163,030 |
| 2009 | 16,017 | 32,180 | 37,281 | 75,174 | 53,298 | 107,354 | 142,539 | 163,312 |
| 2010 | 16,767 | 31,405 | 38,932 | 73,522 | 55,699 | 104,927 | 133,508 | 156,744 |
| 2011 | 16,000 | 30,634 | 40,637 | 71,800 | 56,637 | 102,434 | 126,033 | 150,515 |
| 2012 | 16,742 | 29,842 | 42,407 | 70,154 | 59,149 | 99,996 | 130,352 | 144,624 |
| 2013-2017 | 98,045 | 136,290 | 227,978 | 320,257 | 326,023 | 456,547 | 650,487 | 622,743 |
| 2018-2022 | 127,140 | 104,991 | 221,761 | 271,018 | 348,901 | 376,009 | 577,152 | 478,878 |
| 2023-2027 | 130,195 | 73,979 | 253,785 | 217,155 | 383,980 | 291,134 | 531,934 | 344,085 |
| 2028-2032 | 147,095 | 38,926 | 405,071 | 150,255 | 552,166 | 189,181 | 648,321 | 215,464 |
| 2033-2037 | 77,385 | 4,968 | 361,525 | 71,138 | 438,910 | 76,106 | 487,505 | 82,232 |
| 2038-2042 | - | - | 80,805 | 38,295 | 80,805 | 38,295 | 80,805 | 38,295 |
| 2043-2047 | - | - | 103,120 | 15,971 | 103,120 | 15,971 | 103,120 | 15,971 |
| TOTAL | \$ 663,421 | \$ 516,155 | \$ 1,846,278 | \$ 1,445,360 | \$ 2,509,699 | \$ 1,961,515 | \$ 3,747,794 | \$ 2,575,893 |

NOTE 13 – CONTINUED

The following table summarizes changes in long-term liabilities for the year ended December 31, 2007 (in thousands).

| | Balance 01/01/07 | Additions | Reductions | Balance 12/31/07 | Due Within One Year |
|--|-----------------------------|-------------------|---------------------|-----------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 870,445 | \$ 102,960 | \$ (154,184) | \$ 819,221 | \$ 78,793 |
| Special assessment bonds with governmental commitment | 15 | - | - | 15 | 15 |
| Less deferred amounts: | | | | | |
| Unamortized premium bonds sold | 26,882 | 3,890 | (4,600) | 26,172 | - |
| Refunding | (14,475) | (1,968) | 3,511 | (12,932) | - |
| Total bonds payable | 882,867 | 104,882 | (155,273) | 832,476 | 78,808 |
| Limited GO lease revenue bonds | 131,750 | 353,155 | (70,370) | 414,535 | 5,895 |
| Limited GO capital leases | 4,695 | - | (371) | 4,324 | 324 |
| Claims and judgments payable | 700 | - | (700) | - | - |
| Compensated absences liability | 78,774 | (2,592) | 4,836 | 81,018 | 5,200 |
| Other postemployment benefits | - | 5,542 | - | 5,542 | - |
| Unemployment compensated liabilities | 1,347 | 970 | (1,266) | 1,051 | 1,051 |
| Estimated claims settlements and other liabilities | 116,823 | 169,842 | (150,061) | 136,604 | 87,200 |
| Rebatable arbitrage | 177 | 31 | - | 208 | 90 |
| Total Governmental activities long-term liabilities | <u>\$ 1,217,133</u> | <u>\$ 631,830</u> | <u>\$ (373,205)</u> | <u>\$ 1,475,758</u> | <u>\$ 178,568</u> |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 642,383 | \$ 40,635 | \$ (19,597) | \$ 663,421 | \$ 18,035 |
| Revenue bonds | 1,499,105 | 250,000 | (24,885) | 1,724,220 | 26,315 |
| Less deferred amounts: | | | | | |
| Unamortized premium bonds sold | 34,475 | 8,066 | (2,731) | 39,810 | - |
| Refunding | (77,663) | (293) | 9,567 | (68,389) | - |
| Total bonds payable | 2,098,300 | 298,408 | (37,646) | 2,359,062 | 44,350 |
| Capital leases | 3,611 | - | (77) | 3,534 | 81 |
| State revolving loans | 118,622 | 5,374 | (5,472) | 118,524 | 6,580 |
| Claims and judgments payable | 1,882 | - | (1,882) | - | - |
| Compensated absences liability | 54,275 | 15,651 | (14,971) | 54,955 | 7,032 |
| Other postemployment benefits | - | 1,106 | - | 1,106 | - |
| Landfill closure and post-closure care liability | 92,879 | 18,918 | (4,981) | 106,816 | 6,000 |
| Environmental remediation and other liabilities | 12,601 | 2,905 | (1,039) | 14,467 | - |
| Total Business-type activities long-term liabilities | <u>\$ 2,382,170</u> | <u>\$ 342,362</u> | <u>\$ (66,068)</u> | <u>\$ 2,658,464</u> | <u>\$ 64,043</u> |

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$136.5 million are included in the above amount. Governmental activities compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

NOTE 13 – CONTINUED**Computation of Legal Debt Margin**

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and ¾ percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy. The legal debt margin computation for the year ended December 31, 2007 is as follows (in thousands):

| | |
|--|----------------|
| 2007 ASSESSED VALUE (2008 TAX YEAR) | \$ 340,995,440 |
| Debt limit of limited tax (LT) general obligations for metropolitan functions | |
| ¾ % of assessed value | \$ 2,557,466 |
| Less: Net LT general obligation indebtedness for metropolitan functions | (697,894) |
| LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS | \$ 1,859,572 |
| Debt limit of LT general obligations for general county purposes and metropolitan functions – 1½ % of assessed value | \$ 5,114,932 |
| Less: Net LT general obligation indebtedness for general county purposes | (1,067,840) |
| Net LT general obligation indebtedness for metropolitan functions | (697,894) |
| Net total LT general obligation indebtedness for general county purposes and metropolitan functions | (1,765,734) |
| LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS | \$ 3,349,198 |
| Debt limit of total general obligations for metropolitan functions | |
| 2½ % of assessed value | \$ 8,524,886 |
| Less: Net total general obligation indebtedness for metropolitan functions | (697,894) |
| TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS | \$ 7,826,992 |
| Debt limit of total general obligations for general county purposes | |
| 2½ % of assessed value | \$ 8,524,886 |
| Less: Net unlimited tax general obligation indebtedness for general county purposes | (253,635) |
| Net LT general obligation indebtedness for general county purposes | (1,067,840) |
| Net total general obligation indebtedness for general county purposes | (1,321,475) |
| TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES | \$ 7,203,411 |

NOTE 13 – CONTINUED**Refunding and Defeasing General Obligation Bond Issues – 2007**

Limited Tax General Obligation Refunding Bonds, 2007A – On September 5, 2007, the County issued \$48.7 million in limited tax general obligation bonds, 2007 Series A with an effective interest cost of 4.06 percent to advance refund \$50.6 million of outstanding limited tax general obligation bonds, 1997 Series F with an effective interest cost of 5.15 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$708 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2015, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$3.8 million over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$3.2 million.

Limited Tax General Obligation Refunding Bonds, 2007B – Also, on September 5, 2007, the County issued \$5.9 million in limited tax general obligation bonds, 2007 Series B with an effective interest cost of 5.24 percent to advance refund \$5.7 million of outstanding limited tax general obligation bonds, 1997 Series E with an effective interest cost of 6.94 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$130 thousand. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2010, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$1.9 million over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$748 thousand.

Partial Defeasance of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2007 On December 13, 2007, the County completed a partial defeasance of limited tax general obligation (Baseball Stadium) refunding bonds, 2002 for \$10.9 million using the excess proceeds from special taxes and revenues. The reacquisition price exceeded the net carrying amount of the old debt by \$1.1 million. This amount, reported in the statement of net assets as a reduction in bonds payable, is being charged to operations through fiscal year 2014, using the outstanding principal balance method. The transaction resulted in an economic loss of \$367 thousand for the year ended December 31, 2007.

Refunding General Obligation Lease Revenue Bond Issues – 2007

Limited Tax Lease Revenue Refunding Bonds, 2007 (King Street Center Project) – On March 8, 2007, the CDP – King County III, acting as an "on-behalf-of-issuer" of King County, issued \$62.4 million in general obligation lease revenue bonds, 2007 (King Street Center Project) with an effective interest cost of 4.37 percent to advance refund \$66.06 million of its outstanding general obligation lease revenue bonds, 1997 with an effective interest cost of 5.22 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments by \$4.8 million over the life of

NOTE 13 – CONTINUED

the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$3.3 million.

Refunded Bonds

King County has eleven outstanding refunded and defeased bond issues consisting of limited tax general obligation bonds (\$57.5 million), unlimited tax general obligation bonds (\$20.1 million) and sewer revenue bonds (\$138.8 million) that were originally reported in the Primary Government's statement of net assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, the US Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net assets.

Future Borrowing Plans

During the first quarter of 2008, the County sold \$237 million of limited tax general obligation refunding bonds (payable from Sewer Revenues) to refund \$244.3 million of its outstanding 1998 Series B bonds.

The County expects to issue approximately \$100 million of new long-term limited tax general obligation bonds during 2008. The proceeds of these bonds will be used to provide funding for certain capital facilities projects and other small projects.

For the remainder of this decade the County expects to issue over \$1 billion of new debt to provide continuing funding for its Wastewater Treatment Division's capital improvement program. While most of this new debt will be in the form of Sewer Revenue Bonds, a portion will be comprised of general obligation bonds that are additionally secured by a pledge of sewer revenues.

Also, the County intends to take advantage of favorable interest rates by refinancing any outstanding higher rate bonds when and if market conditions permit.